VERALLOCATI SERVICE STATIONS

United States General Accounting Office

REGIONAL OFFICE

ROOM 1903 JOHN F. KENNEDY FEDERAL BUILDING GOVERNMENT CENTER Boston, Massachusetts 02203

July 30, 1974



Mr. Hugh Saussy, Jr. Regional Administrator, Region I Federal Energy Administration 771 150 Causeway Street Boston, Massachusetts 02114

Dear Mr. Saussy:

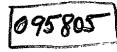
As you know, our office has been reviewing the activities of 75 the Federal Energy Administration. To date, we have focused our attention on the motor gasoline allocation program. Since the Petroleum Allocation and Price Regulations (10 CFR, Chapter II) places a great deal of responsibility on suppliers for administering the allocation program, we set out to determine whether the suppliers were complying with the regulations; specifically, whether deliveries vere in accordance with the established base year volumes in Section 211.102 and whether adjustments were being made in accordance with Section 211.13.

We visited the local offices of Sunoco, Texaco, Exxon, Mobil, and the corporate headquarters of Sunoco in Philadelphia. We discussed allocation program policy and company procedures with officials and reviewed motor gasoline delivery records for randomly selected retail outlets for the months of January through April 1974,

### FINDINGS

Three of the four major suppliers reviewed were generally complying with the regulations relating to both deliveries and adjustments.

Sunoco, however, was delivering more gasoline to stations than regulations permitted. Based on a review of deliveries to twentytwo randomly selected stations, we found that eighteen had received over one-half million gallons or about one-third more than allowed during the period January through April 1974. In one instance, for example, during this period Sunoco delivered 73,401 gallons to a station which was authorized only 26,581 gallons. Details on this and similar cases are attached to this letter.



Section 211.102 of the Petroleum Allocation and Price Regulations established the corresponding months of 1972 as a base period for allocating motor gasoline. Section 211.13 permits suppliers to adjust base year 1972 gallonage if 1973's gallonage does not exceed it by more than 20 percent. If it exceeded the base year by more than 20 percent, the supplier had to forward the request to FEA for approval. Sunoco received requests from its retail stations and in many cases recommended to FEA that deliveries be made at 1974 projected levels. These projections were not ordinarily based on historical sales, but were Sunoco's estimate of what each dealer deserved and were much higher than the dealer's sales for the preceding two years. Sunoco forwarded the adjustment requests to FEA for approval. While FEA was processing the requests, Sunoco delivered the projected 1974 gallons, and these projections were subsequently not approved by FEA.

Sunoco officials attributed their action to administrative problems inherent in the early months of the allocation program, and uncertainties in interpreting the regulations. Also, they said there was a delay in administratively establishing the FEA allocation program which they did not fully implement until April 1, 1974. Sunoco officials advised us that after FEA processed a request and issued an order to deliver at prescribed monthly levels, it would be complied with.

## CONCLUSIONS

The success of the gasoline allocation program depends to a great extent on how well the suppliers discharge their responsibility to equitably distribute available gasoline supplies. Our review was based on a random selection of delivery records for only four suppliers. Although FEA plans to phase out the allocation program, we believe that while it is in operation, suppliers delivery records should be periodically reviewed to assure that regulations are being followed and program results are consistent with national energy policies and objectives.

Based on discussions with members of your staff, it appears that your office does not have any immediate plans to perform such periodic evaluations. Accordingly, we would like to have your views on whether there are any plans to monitor the allocation program.

We also believe that delivery records for retail outlets which have not requested an adjustment should periodically be examined to assure that they are receiving the proper quantities of gasoline and we would like your views on this.

We would appreciate your response to these matters within 30 days so that they can be considered in planning our future work. Also, please keep us advised of any action you may take on the cases identified in the attachment. As discussed with you, we are providing a copy of this letter to the Assistant Administrator for Operations, Regulations and Compliance.

We will be glad to discuss any of the matters with you at your convenience. Thank you for your cooperation and the assistance of your staff during this phase of our review.

Sincerely,

Joseph Edur Joseph Eder

Regional Manager

Attachment JE:kw

# SCHEDULE OF ACCOUNTS RECEIVING MORE MOTOR GASOLINE THAN AUTHORIZED JANUARY-APRIL 1974

Gallons

			Gallons		
Dealer	Base Period Volume	a Adjustments	Amount Authorized Per Regulations	Amount Delivered	Over Deliveries
Mortgrage Sunoco Wells, Maine	25,100	+1,481	26,581	73,401	46,820
Rick's Sunoco Weymouth, Mass.	136,900	-12,797	124,103	141,300	17,197
Parkway Sunoco Dorchester, Mass.	166,700	-14,720	151,980	192,035	40,055
Hancock Sunoco Quincy, Mass.	101,270	-9,766	91,504	120,000	28,496
Accord Pond Sunoco Norwell, Mass.	200,000	-19,319	180,681	208,000	27,319
Hartley Sunoco Springvale, Maine	70,559	+3,763	74,322	80,009	5,687
Jerry's Sunoco Winslow, Maine	51,450	-4,932	46,518	56,000	9,482
Robertson's Custom Sunoco Methuen, Mass.	104,000	-9,510	94,490	144,000	49,510
Johnson's Custom Sunoco Lowell, Mass.	133,800	-11,326	122,474	176,000	53,526

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Charlie's Sunoco Haverhill, Mass.	36,500	+1,261	37,761	64,050	26,289
R. Checos Sunoco Cambridge, Mass.	222,800	-19,041	203,759	236,940	33,181
Ralph's Sunoco Madison, Maine	70,150	+1,884	72,034	96,005	23,971
Frank's Sunoco Medford, Mass.	81,350	+1,628	82,978	000'96	13,022
Peterson's Sunoco Cape Elizabeth, Maine	71,750	-5,957	65,793	96,003	30,210
Waterman's Sunoco So. Portland, Maine	64,106	-1,625	62,481	103,956	41,475
Exit 8 Sunoco Portland, Maine	74,012	+30,074	104,086	147,705	43,619
Sunset Scrvice So. Weymouth, Mass.	109,250	-6,800	102,450	128,000	25,550
Hiller Auto Sorvice Mothuen, Mass.	58,500	-5,163	53,337	62,150	8,813
Total.s	1,778,197	-80,865	1,697,332	2,221,554	524,222

Adjustments include (1) directives from National FEA, (2) unusual growth, (3) FEA orders, and (4) the allocation fraction.